

EXECUTIVE SECRETARIAT**Routing Slip**

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS	X			
5	DDI				
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt		X		
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
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		SUSPENSE	Date		

Remarks:

For necessary action. Please
call to DCI/DDCI attention as
appropriate.

Executive Secretary

6 April 83
Date

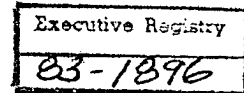
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NATIONAL SECURITY AGENCY
CENTRAL SECURITY SERVICE
FORT GEORGE G. MEADE, MARYLAND 20755

Serial: N0444
1 April 1983



MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Draft OMB Circular A-76, "Performance of Commercial Activities"

1. The National Security Agency recently received the draft revised OMB Circular A-76, "Performance of Commercial Activities." This circular has received considerable emphasis since the current version was published in 1979, and experience since that time does not lead me to be optimistic about our ability to reconcile this circular with a sensitive mission.

2. A good example of the negative effect this circular could have on the Intelligence Community is the Department of Energy's proposal last year to contract for the operation of its all-source communications center. Although the Department of Energy's action was entirely consistent with OMB Circular A-76, which does not recognize security reasons as a justification for government operation of a facility, it was unacceptable to users of the communications center, including the Central Intelligence Agency (CIA), who notified the Department of Energy that they would discontinue electrical transmission of intelligence to the Department of Energy if contractors operated the facility. The Department of Energy has cancelled its plans to contract for this particular activity, but similar incidents are certain to occur in the future unless positive preventive measures are taken.

3. During the recent revision of the circular, provisions were made to accommodate a number of congressional concerns about unlimited contract operation of certain services, but no revision was made to the current policy that "activities may not be justified for in-house operation on the basis that (1) there is a possibility of a strike by contract employees, [or] (2) the activity involves or supports a classified program."

4. On October 27, 1978, the Acting Deputy Director, CIA, sent a letter to Office of Management and Budget (OMB) describing cogently why CIA could not comply with the requirements of OMB Circular A-76. OMB did not take exception to this letter, and CIA has not been participating in the A-76 program. Other intelligence entities have been subject to the circular, although the rationale expressed in CIA's letter is equally pertinent throughout the Intelligence Community.




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5. Everyone in the Intelligence Community shares the responsibility to protect intelligence sources and methods, and we should adopt a consistent community-wide position on what would or would not permit us to fulfill that responsibility. Therefore, I enlist your support in seeking community-wide exemption from the circular.

6. Like the CIA, the National Security Agency relies on the private sector to provide goods and services whenever practical, economical, and appropriate. We endorse the general policies espoused in OMB Circular A-76. However, the public exposure and lack of flexibility inherent in the program mandated by the circular would not permit us to adequately protect sensitive intelligence material. We must seek relief.

7. My staff is ready to work with your representatives on this important matter. Our point of contact is 688-7208.

STAT


LINCOLN D. FAURER
Lieutenant General, USAF
Director, NSA/Chief, CSS

Copy Furnished:
Deputy, DCI